

SEC48-B

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THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
)
KIK INTERACTIVE) File No. HO-13388-A

SUBJECT: Live Video File: Fintech Canada Bitcoin Ethereum
Summit Pt. 2 of 2.mp4

Kik "Fireside Chat" Segment of video, from
00:01:18 to 00:33:19

PAGES: 1 through 28

VIDEO TRANSCRIPTION

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1 PROCEEDINGS
 2 Live Video File: Fintech Canada Bitcoin Ethereum Summit
 3 Pt. 2 of 2.mp4; Kik "Fireside Chat"
 4 00:01:18 to 00:33:19
 5 MODERATOR: So we're going to take a
 6 break from the panels, and we're actually going to go for
 7 a fireside -- a fireside chat. So the fireside chat --
 8 sorry, guys, could I just get the room to quiet down?
 9 So the fireside chat is going to be between Ted
 10 Livingston, CEO of Kik, and William Mougayar, who is the
 11 writer of The Business Blockchain and producer of the
 12 Token Summit. So if we can give our fireside chat
 13 speakers a round of applause?

14 (Applause.)

15 MODERATOR: William, I leave it to you.

16 MR. MOUGAYAR: So this is about the future.
 17 Everything else was about the past that you heard about
 18 before. We're going to talk about ICOs. We're going to
 19 talk about your ICO. And we're going to talk about ICOs
 20 in general, but before, I want to say to everybody here
 21 that maybe we should stop using the term "ICO" and use
 22 another term which is more indicative of what is going
 23 on. And that is "token generation event" because,
 24 really, the innovation here is the token.

25 The token is an enabler of a business model and

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1 -- why adding a token? Just keep going.
 2 And the reason we're adding a token, which
 3 we're calling Kin, is because, fundamentally, we have to.
 4 You know, we've been working on building this consumer
 5 service for a very long time, and we've been doing that
 6 pretty successfully. But we've really struggled with
 7 making money. You know, we're competing with these
 8 increasingly powerful companies that are the only ones
 9 that have the scale and the data to effectively monetize
 10 through advertising. And then they turn around, and then
 11 they give everything else away for free.

12 And so, as a consumer company, we don't have
 13 the scale or the data to make money through ads. And we
 14 have a bunch of consumers who expect everything for free.
 15 And so we've tried and tried and tried to make money
 16 different ways but it just hasn't worked. But what we've
 17 realized along the way is it wasn't just us. It was
 18 SoundCloud and Snapchat and Twitter and pretty much
 19 everybody else.

20 And so we went back to this idea that we had in
 21 2011 and sort of started testing the market in 2014,
 22 which is launching a new token inside of Kik, building an
 23 economy around a new cryptocurrency and using that to
 24 create a fundamentally new way to build a business and to
 25 build an ecosystem.

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1 it's also a new asset class, and we have to see it as
 2 such. Second thing I will say as a disclaimer, I am an
 3 advisor to Kik as part of their token event. And I'm
 4 also an investor in their future token sale.

5 So, Ted, tell us why are you doing this, and
 6 what are you doing exactly with the tokens?

7 MR. LIVINGSTON: Sure. So maybe just before I
 8 get into that, a little bit of background on who I am and
 9 who Kik is. So I'm founder and CEO of Kik. I started
 10 Kik eight-and-a-half years ago now. Now it's just sort
 11 of amazing. I just turned 30, so I started when I was
 12 like 21. I'm old now to Ethan's point.

13 And we've been building this chat app for a
 14 very long time. We saw mobile very early. And over the
 15 last eight-and-a-half years, we built one of the most
 16 popular apps in the world. It's actually the number five
 17 most searched for term in the App Store, if you can
 18 believe that. So there is for terms that are ahead of us
 19 like Instagram and Snapchat. We're number five. That's
 20 pretty cool.

21 But we're -- we're doing this crazy thing where
 22 we're adding a token and we're -- we're completely
 23 changing our business, completely changing our business
 24 model. And the question people ask us is like why. Why?
 25 You guys got a billion-dollar valuation (inaudible). Why

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1 MR. MOUGAYAR: And you had some experience
 2 doing that earlier because you had Kik points. So what
 3 did you learn from that initial experience that you're
 4 carrying through now with the token-enabled economy that
 5 you were doing?

6 MR. LIVINGSTON: Yeah, so we -- we launched a
 7 digital currency, digital rewards program, in 2014 called
 8 Kik Points. But maybe before that -- I'll take one step
 9 back from that, which is where did this all start when we
 10 actually started thinking about this.

11 And it started in 2011 when we looked at
 12 Bitcoin and we're like, "Wow, this is amazing." You
 13 know, for the first time ever, you can guarantee the
 14 scarcity of a digital asset. So, before, you could have
 15 a physical asset with guaranteed scarcity, gold. There
 16 will never be more. And you could have a digital asset
 17 like points or dollars that are easy to move around. But
 18 you can never have both those properties in the same
 19 time, easy to move around and of guaranteed scarcity.

20 And so what we've realized is we said, "Wait a
 21 second. If we created our own Bitcoin, our own
 22 cryptocurrency, and created a better go-to-market for it
 23 where now, instead of people just buying and selling
 24 Bitcoin to speculate it but people really earning and
 25 spending in Bitcoin or in Bitcoin 2.0, you know, that

<p style="text-align: center;">Page 6</p> <p>1 could be a fundamentally new way to monetize, by setting 2 some aside for ourselves.</p> <p>3 And so this is an idea we launched in market in 4 2014 with Kik Points. And what Kik Points was, we said, 5 could we create a digital currency that the only way to 6 get it was to earn it. In effect, could we build an 7 economy around a new currency in a digital world? And 8 that's what we did with Kik Points. And, initially, 9 there was one way to earn it, which was watch ads, and 10 there was one way to spend it, which was buy smileys. 11 And then we built up both sides of this economy so there 12 were more and more ways to earn it, more ways to spend 13 it.</p> <p>14 And we got millions and millions of mainstream 15 consumers participating in this new economy, in this new 16 currency. You couldn't buy. You couldn't sell. It was 17 just some made-up thing. But we got millions of people 18 saying, "I need more of those. I need more of those."</p> <p>19 And so that was, for us, sort of this proof 20 point. Wait. This could be -- this could work. But it 21 wasn't actually until 2016 -- no, a year and a half ago, 22 I actually went to one of our investors, the first 23 investor I went to, who -- you know, because we've had 24 \$120 million invested in us. And I was like, "Hey, crazy 25 idea. We're going to build an economy," because, you</p>	<p style="text-align: center;">Page 8</p> <p>1 It wasn't called token. It was called Kik Points. And 2 that is a very fundamental element of anything successful 3 that has to do with -- with tokens. And -- and you're 4 going to carry that through going into the future.</p> <p>5 Can you talk about the token functionality 6 going forward with Kin specifically? So what will users 7 be able to do to earn and spend these tokens?</p> <p>8 MR. LIVINGSTON: So when I think about tokens, 9 I think about them as a tool to economically align a 10 large group of people to work together towards a common 11 mission. That's my definition for it.</p> <p>12 And what I mean by that is you have all these 13 missions in the world like predict where stocks are going 14 to go or provide computing power or provide storage or 15 all these different things. And the mission is to build 16 a better version of that, a new version of that. And a 17 cryptocurrency is a way to economically align a large 18 group of people to all work together to build that new 19 thing in a powerful new way.</p> <p>20 And so for us with Kin, we're more of a -- you 21 know, a plain vanilla cryptocurrency. We really feel 22 like we are sort of -- you know, Bitcoin, not in a 23 technical sense but in a consumer sense, Bitcoin with a 24 better go-to-market where people -- we feel we can get 25 millions of people earning and spending this virtual</p>
<p style="text-align: center;">Page 7</p> <p>1 know, this is a new thing. This is a new space.</p> <p>2 And the person I went to was Fred Wilson from 3 Union Square Ventures who has invested in Kik Series A in 4 2011, has been on our board since then. And I remember 5 like sitting down at lunch and like explaining the idea 6 to him, like build an economy, create a currency, you 7 know, set 30 percent aside for ourselves, a fundamentally 8 new way to build business, new way to compete. And he 9 goes, wow, that's a big idea. I'm not sure if it worked 10 -- if it will work but it might. Let me think about 11 that.</p> <p>12 And, you know, fast-forward until January of 13 this year. Snapchat had just done its IPO and done its 14 prospectus and everybody was like, "Even they are 15 struggling? They've raised two-and-a-half billion 16 dollars. They have 2,000 employees and they are 17 struggling?"</p> <p>18 And I get this email from Fred Wilson and he's 19 just like, "It's time." And I knew from then like if we 20 could convince Fred Wilson, he could help us convince all 21 of our other investors. And then, you know, a couple 22 months later, we made the decision at a board meeting to 23 go all in on this new cryptocurrency strategy.</p> <p>24 MR. MOUGAYAR: So what -- what you learn is 25 that there is a utility for that -- for that at the time.</p>	<p style="text-align: center;">Page 9</p> <p>1 currency.</p> <p>2 But I think, you know, one of the questions is, 3 well, you had Kik Points. And that was really successful 4 and, you know, had more transaction volume than Bitcoin 5 at the time, three times more. That's cool. Like why 6 didn't you just take that and put it on the blockchain? 7 And we thought about doing that. We thought, "Hey, we'll 8 just take Kik Points, and we'll put it on the 9 blockchain."</p> <p>10 But what we realized is, if we just took Kik 11 Points and put it on the blockchain, it would be the 12 most-used cryptocurrency by mainstream consumers in the 13 world. And that would probably make it pretty valuable. 14 And then we had this idea. And we said, "What if we 15 could take a big chunk of that value and set it aside to 16 incentivize the creation of a much bigger ecosystem, an 17 ecosystem that expanded beyond Kik?"</p> <p>18 And that's why we called it Kin, which comes 19 with family, this idea it's like a family of digital 20 services that are all working together, providing places 21 for consumers to earn and spend this cryptocurrency. And 22 the way that works is we take 60 percent. We set it 23 aside, and we're going to give away 20 percent of 24 whatever is left of that each year to developers to the 25 degree that they help us grow the economy for this</p>

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<p>1 cryptocurrency.</p> <p>2 And so that's really the utility, is, like in</p> <p>3 Kik for example, how are we using Kik, we want to bring</p> <p>4 consumers into Kik, and we want to get them providing</p> <p>5 value to each other and using the cryptocurrency to</p> <p>6 facilitate it. So, you know, on – on Kik, if you host a</p> <p>7 great group chat, today, you do that for free. You know,</p> <p>8 we do everything as consumers for free and we never get</p> <p>9 paid.</p> <p>10 But, now, with the cryptocurrency, it's in</p> <p>11 Kik's best interest to get people paid because that's</p> <p>12 what we're trying to do. We're trying to build this</p> <p>13 economy, whether it's around chat. You know, I host a</p> <p>14 great group chat. Then I join your great group chat.</p> <p>15 Whether it's music, I create a great song. I listen to</p> <p>16 your great song. A game, I create a great level. I play</p> <p>17 your great level where consumers are coming together,</p> <p>18 providing value to each other and facilitating that with</p> <p>19 the cryptocurrency.</p> <p>20 The more you do that, the more valuable, the</p> <p>21 more demand for the cryptocurrency there will be. And</p> <p>22 with sort of a, you know, cryptocurrency, you can</p> <p>23 guarantee a fixed supply, guaranteed scarcity. So supply</p> <p>24 stays the same. Demand goes up. The price goes up such</p> <p>25 that if you set some aside for yourselves and you give</p>	<p>1 website. But, to be honest, like that's -- that would be</p> <p>2 cool. I'd love as many people to be part of it as</p> <p>3 possible. But that's not really the point.</p> <p>4 I think the bigger thing is this is a</p> <p>5 revolution. This is a way for everybody to band together</p> <p>6 to compete with these large centralized and increasingly</p> <p>7 monopolized entities. And so, for us, I think it's like,</p> <p>8 you know, one is help us build the core blockchain</p> <p>9 technology. You know, blockchain is just not scalable</p> <p>10 today. We need to get it to a point where it's more and</p> <p>11 more scalable.</p> <p>12 Two is help us build the ecosystem. You know,</p> <p>13 we are sending it up where, hopefully, we can give away</p> <p>14 millions of dollars a day at some point to the developers</p> <p>15 who help us build the ecosystem, we think the biggest</p> <p>16 sort of financial opportunity in the software space since</p> <p>17 the iPhone. It could be. But I think third and, you</p> <p>18 know, a big part of why we are here is, you know, we are</p> <p>19 actually based here. I don't know how many of you know</p> <p>20 that, but we are headquartered and founded in Waterloo.</p> <p>21 I went to the University of Waterloo.</p> <p>22 And we have an office here in Waterloo and</p> <p>23 Toronto and New York and Tel Aviv. And I think the last</p> <p>24 thing is like we just need people to help us with this.</p> <p>25 You know, we need people to come work with us, join Kik,</p>
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<p>1 other people the opportunity to participate and</p> <p>2 contribute, everybody can not only build this amazing new</p> <p>3 ecosystem and platform but also make a ton of money.</p> <p>4 MR. MOUGAYAR: So this is a competitive</p> <p>5 advantage for you. This is how you're going to compete</p> <p>6 with Facebook because you're not – you can't compete</p> <p>7 with them with advertising. It's not part of your model.</p> <p>8 And I think what you're doing here is an example for</p> <p>9 other Canadian companies. And that's the second part of</p> <p>10 the topic we want to talk about. So, first of all, we</p> <p>11 have 600, 500 people here. How – how can they help you</p> <p>12 in the token generation sale that's upcoming? How can</p> <p>13 they be involved?</p> <p>14 MR. LIVINGSTON: So we are going to do a token</p> <p>15 generation event. We've already done a presale. That's</p> <p>16 all gone. That was really cool. And we'll also do a</p> <p>17 public sale. And we're setting up the public sale where</p> <p>18 as many people as want to participate can participate in</p> <p>19 a fair way. And, yet, the round can still be – the</p> <p>20 amount sold can still be capped.</p> <p>21 So it's sort of fair. It's not one of these</p> <p>22 crazy like, "Wow. They raised how much and they only</p> <p>23 have three people." But at the same time, it's not just</p> <p>24 the first few in the gate get it all. So, you know,</p> <p>25 obviously, people can participate in that, go to our</p>	<p>1 join Kin and help us build this revolution because,</p> <p>2 today, like, you know, we are 150 people and Facebook has</p> <p>3 like 20,000. We are outgunned. And so, you know, we</p> <p>4 have a bunch of people from Kik here today and they are</p> <p>5 going to be hanging out, but definitely that's the</p> <p>6 biggest way you could help is help us build it.</p> <p>7 MR. MOUGAYAR: Yeah, I think, no pun intended,</p> <p>8 you've kicked the door open for --</p> <p>9 MR. LIVINGSTON: I hear a lot of puns about</p> <p>10 Kik.</p> <p>11 MR. MOUGAYAR: You've kicked the door open for</p> <p>12 what a good token generation event is going to be like in</p> <p>13 Canada. I know we haven't seen it yet but, obviously,</p> <p>14 I'm a little behind the scenes here with you. And you</p> <p>15 know what's coming up. And I hope that this will be the</p> <p>16 beginning of other ones in Canada because I get lots of</p> <p>17 calls from entrepreneurs here in Canada and elsewhere in</p> <p>18 the world as well but especially in Canada.</p> <p>19 There is a bit of uncertainty as far as the</p> <p>20 regulatory environment is concerned. So we can't talk</p> <p>21 about tokens and token generation events without talking</p> <p>22 about what the regulators think about what is going on.</p> <p>23 So how can we make it better for the other dozens of</p> <p>24 companies that are going to follow your steps?</p> <p>25 MR. LIVINGSTON: I think, you know, we have to</p>

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1 work together. This is a new area and, like all new
 2 areas, there is opportunities and challenges. And, to be
 3 honest, like I put myself in the shoes of the regulators.
 4 And I do not envy them. They are in an incredibly tough
 5 position. And the reason is -- is because on one side,
 6 bad stuff is happening. People are getting scammed. We
 7 are going to have to change that; right?

8 We can't just have like people running away
 9 with hundreds of millions of dollars. Like that's --
 10 that can't go forever. But on the other side, this is
 11 global innovation and, therefore, also the regulatory
 12 environment is also global. And so the regulators in
 13 each jurisdiction can say, "You know what? We've just
 14 decided this is illegal." You know, it's an extreme.
 15 "This is totally illegal. We don't allow it anymore."

16 And the world is going to go, "Great. We're
 17 going to go to a different country because this is global
 18 and this is the internet and it's totally decentralized."
 19 And the biggest challenge is you can be one regulator
 20 and say, "Hey, we're going to be really hard on this."
 21 But then there are all these countries who are putting up
 22 their hands like Switzerland and Singapore and saying,
 23 "Well, we're going to be the best place to do this." And
 24 all of the innovation will move there. And so that's the
 25 -- the really hard part. But what do you think?

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1 MR. MOUGAYAR: Exactly. Yeah, that's the risk.
 2 And if -- if the regulators make it difficult for
 3 companies like Kik and others to take advantage of this
 4 maybe once-in-a-lifetime opportunity, I think, the cat is
 5 out of the bag. This is it. The train has left the
 6 station. Tokens are being raised as a way not just to
 7 get money. This is not the anti-VC kind of phenomenon.
 8 I think there was a panel later about VCs and tokens.
 9 But this is a business model innovation opportunity.
 10 When we did -- when I did my Token Summit back in New
 11 York, I mean, this is how I started the event. I said,
 12 "We are not here to discuss the price of cryptocurrency.
 13 We're here to talk about the business models that tokens
 14 are enabling." And this is really about innovation.

15 And if the -- if the regulators make it
 16 difficult for companies, I mean, you are blessed because
 17 you have a lot of resources. You are not a small
 18 company. You are not two, three, four, five people. And
 19 I'm getting calls from great ideas with three, four, five
 20 people that don't have the resources that you do. And
 21 they want to take advantage of this opportunity.

22 And I hope that we can enable them to do this
 23 here in Canada because if it becomes difficult for them
 24 to do it here, they are going to go elsewhere because
 25 there are other jurisdictions, namely Switzerland,

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1 Singapore and others, that are specifically making it
 2 very easy for companies to go and work with lawyers in
 3 there and make this happen.

4 MR. LIVINGSTON: I totally agree. Like the
 5 opportunity is so big on one side. But, also, the odds
 6 of missing out, especially as Canada, to be honest, are
 7 also so big. Like, I mean, Ethereum was started here,
 8 here, here in Toronto and Vitalik started here. He's
 9 from Toronto. You know, everybody is talking about
 10 Bitcoin versus Ethereum. One of those guys is from this
 11 city and he left. Like that is a shame. It's like the
 12 guy that created it left and --

13 MR. MOUGAYAR: And many, many of us are
 14 witnesses. I mean, Anthony has a big role to play in it
 15 as well, of course.

16 MR. LIVINGSTON: Anthony stayed because --

17 MR. MOUGAYAR: And others.

18 MR. LIVINGSTON: Why did you stay? Thanks,
 19 Anthony. I just found out he's from Toronto. Go for it.

20 MR. MOUGAYAR: I'm staying. I'm helping others
 21 not just in Canada but I want -- I would like to help
 22 more Canadian companies. And I am involved in a number
 23 of them that -- that will be doing token events in
 24 Canada. And we all have a role to educate the
 25 regulators. I mean, they are looking at us. They are

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1 looking at you. They are looking at the entrepreneurs.
 2 You are the ones that are leading the market, not the
 3 regulators. They typically follow. They follow and they
 4 try to figure it out. And they try to put, hopefully, as
 5 much regulation as needed, not more, not less.

6 MR. LIVINGSTON: That fine line.

7 MR. MOUGAYAR: That is the key thing --

8 MR. LIVINGSTON: Yes.

9 MR. MOUGAYAR: -- is not more, not less, the
 10 right one. And so the market is being led by people like
 11 you and others that are showing the way and innovating
 12 really. And that's kind of the positive aspect in this
 13 whole thing. And we have to keep the optimism going in
 14 terms of allowing the entrepreneurs to lead the way.

15 Just as a quick show of hand, how many of you are
 16 involved in some kind of ICO or token or are thinking --
 17 thinking about doing or being involved in one? Okay.

18 MR. LIVINGSTON: That's why Ethereum is going
 19 to win --

20 MR. MOUGAYAR: That's more than half the room.

21 MR. LIVINGSTON: -- just FYI.

22 MR. MOUGAYAR: Okay? So I hope that there is
 23 regulators -- are there any regulators in this room,
 24 anybody from the OSC? This is videotaped.

25 MR. LIVINGSTON: Get him. No.

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1 MR. MOUGAYAR: We should save a clip.
 2 MR. LIVINGSTON: I'm just kidding. They are
 3 the best. They are the best.
 4 MR. MOUGAYAR: This clip is very key to what is
 5 going on. Half of the room that is involved in
 6 technology and startup is going to be involved, whether
 7 we like it or not. Now, let's make it a good one. Let's
 8 make it a good experience for everybody. And that's
 9 really the message.

10 MR. LIVINGSTON: Well, I think like, as a
 11 regulator, like I put myself in their shoes. And there
 12 is like, "Here is another innovation. Okay. What is a
 13 blockchain again? What did that guy say? Byzantine,
 14 Paul Tolerance (phonetic)? Like -- okay. Is this worth
 15 figuring out? Like is it -- is it going to be one of
 16 those nine out of ten innovation that just floats on by,
 17 or is this going to be the once a decade innovation
 18 that's going to really matter?" And I would say this is
 19 for sure the once a decade innovation that really
 20 matters. You cannot get to a market cap of billions and
 21 billions of dollars for this new thing for it not to be
 22 that next once a decade innovation.

23 And so it's like you are saying. It's up to
 24 all of us to capture that opportunity, this once a decade
 25 opportunity. But it's also up to each of us to work with

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1 maybe more than almost anybody in the world at this
 2 point. And, you know, you are smiling. You are like,
 3 "Yeah, I do. I do." But there is a lot of people in
 4 this room that won't get the chance to talk to you. You
 5 are one guy. But imagine people in this room came and
 6 talked to you and they told you about their idea and what
 7 they were doing. What would be that key decision point
 8 for you where you would tell them, "You know what? I
 9 think you have something here. You should go for it,"
 10 versus, "I don't think this is a good application of the
 11 blockchain. I would not go for it."

12 MR. MOUGAYAR: Again, I -- I would go back to
 13 the token functionality because the -- the innovation is
 14 in how this -- this new asset class -- the tokens are
 15 going to be classified as an asset class. There is work
 16 being done right now where it's being defined as a
 17 standard. And it's going to become accepted as an asset
 18 class. But it's a very powerful one.

19 It's enabling something that we could not do
 20 before. So I look for innovation in how the token
 21 functionality has been conceived, how it has been thought
 22 about and how clearly it has been communicated. And
 23 then, from then on, it looks like any other start-up.
 24 Then all of these companies are like a start-up. Then
 25 you look at the team and at the market and whether they

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1 the regulators and not treat them adversarially and, you
 2 know, we are out to get the man. It's like people are
 3 getting hurt in this space. Does -- does anybody think
 4 that some mother, you know, at some point, should lose
 5 \$5,000 because she did an ICO in a scam? Like obviously
 6 not. Nobody thinks that. And so we need to work
 7 together, developers, entrepreneurs, businesses and
 8 regulators, to figure this out.

9 MR. MOUGAYAR: Yeah, I would emphasize the key
 10 thing is the role of the token. That is a very key
 11 thing. When -- when companies contact me, the first
 12 question I ask them is can you show me the list of what
 13 the token will do. And that is where it starts. And --
 14 and if you have a strong list, if you have -- if you
 15 really thought about it, about how the token is going to
 16 innovate, help you to innovate, then that is the starting
 17 point.

18 And then you go to the legal aspect and you
 19 make it happen in a way that is transparent. So the
 20 other thing is be transparent. Be transparent. I mean
 21 -- and tell the public what you are doing and let the
 22 terms be -- be open. And that's how we're going to go
 23 through this -- this hump.

24 MR. LIVINGSTON: So maybe just my last question
 25 on that is, you know, you -- you see a ton of these,

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1 can execute and so on.

2 MR. LIVINGSTON: So you are like, "Make a list
 3 of the ways this token will be used and give it to me."
 4 You look at that list, and if it's a good list, you are
 5 like, "Let's go." And if it's a bad list, you are like,
 6 "Let's not go."

7 MR. MOUGAYAR: Something like that, and then we
 8 go -- I think we need to take a couple of questions from
 9 the audience to wrap this up. Okay. Right here.

10 MR. COHEN: Sure. Hi, Mike Cohen. I'm
 11 involved in a few ICOs. And you said a moment ago this
 12 sometimes is exactly like any other start-up except you
 13 are basically getting the money backwards; right? You
 14 get all the cash up front to do this project. However,
 15 traditionally, with a regular VC, you'd start with seed
 16 money and then, you know, a Series A, B, C, whatever.
 17 And there are milestones at each that you have to
 18 deliver.

19 So how do you actually like ensure that people
 20 make good on these promises of actually developing what
 21 they -- the white paper says they are going to make and
 22 don't just run away with the money -- right? -- because
 23 you're -- you raised 200 million bucks and now what.

24 MR. MOUGAYAR: Well, it's one of the things. I
 25 wrote a post a month ago, said ten things I don't like

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1 about ICOs. And this was one of them, the fact that
 2 there is no accountability that is really a hard-nosed
 3 accountability. But this is where you all come in. And
 4 you have to be transparent.

5 You have to be a little bit more
 6 self-accountable. And those companies that will be
 7 self-accountable and that will manage the money properly
 8 will do well. And good companies, good ICOs, good token
 9 events will -- will do well. And the bad ones will --
 10 will -- will not do as well. But this is one of the weak
 11 points of -- of what is going on right now unfortunately.

12 MR. LIVINGSTON: I would add it's not even just
 13 something that's not good about ICOs or tokens or these
 14 projects. It's actually something that will
 15 fundamentally break it. Okay? Like at Kik, we've raised
 16 four VC rounds. So we've done two angel rounds and four
 17 VC rounds, A, B, C, D, Series A, B, C, D. Through that
 18 process, we've raised \$120 million, U.S. dollars. It's
 19 amazing. Every time we raise money, we raise roughly 18
 20 months of burn, which means that, after 18 months, we
 21 die. That is a really good incentive. You know why?
 22 Because, for the first six months, you sort of exhale.
 23 We didn't die. Good.

24 Then for the next six months, you go, "Shit, we
 25 really better figure out what we're doing because we got

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1 MR. MOUGAYAR: I would add surround yourself
 2 with advisors and mentors that will help give you this
 3 kind of discipline that you may not have on your own.
 4 And that's another tip.

5 MR. LIVINGSTON: I think we have time for one
 6 more question.

7 AUDIENCE MEMBER: So you talked about the
 8 functionality of tokens. From what I see, there is like
 9 three major ones. And one is to -- right. So you talked
 10 about the functionality of tokens. The way I see, there
 11 is three major ones.

12 One is like bootstrapping a blockchain,
 13 like Zcash and Ethereum did. The other one is
 14 digitizing assets that can be transferred peer to peer
 15 that are, most of the time, backed by a service or good
 16 which is created with -- paid -- paid for with U.S.
 17 dollars or redeemable in -- you know, in some kind of
 18 pricing and some kind of national currency.

19 And the other one would be for fundraising. So
 20 assuming that you are using an existing blockchain like
 21 Ethereum to do an ICO, then you don't really have to
 22 worry about bootstrapping the consensus. Then you have
 23 fundraising and you have digitization. And I'm wondering
 24 why you would do two at the same time with the same
 25 token. And the specific question is if you're -- if

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1 to raise the next round or we die." And then you have
 2 six months to go and raise the next round. And that has
 3 been one of the best motivational tools to really figure
 4 it out and really execute. And that's what I really like
 5 -- I worry about with some of these ICOs is if somebody
 6 gave me \$200 million and it was me and my couple buddies,
 7 I would not be a bad person. I would not run away. But
 8 I might chill -- okay? -- because -- because I'm like we
 9 literally have like 200 years of runway if we all buy
 10 ourselves amazing cars every year and anything we ever
 11 wanted. Like it's just way too much money. And -- and
 12 when you have that much money, you just don't have the
 13 gun to your head. The gun to your head is actually a
 14 really motivating thing.

15 And so I think this is something we will see.
 16 This is early days in the ICO market where, you know,
 17 we're going to see these projects. A lot of them are not
 18 going to pan out. And people are going to say -- and
 19 then one is going to pan out. And they are going to say,
 20 "What did that one do differently? Let's do more of that
 21 and less of that." And so I think it will be this
 22 iterative thing. But I think this is probably the
 23 biggest problem --

24 MR. MOUGAYAR: Yeah.

25 MR. LIVINGSTON: -- with this new model.

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1 you're good that you're -- I don't know about Kin, but
 2 I'm assuming that you can use Kin to spend for something
 3 that has U.S. dollar value. Why would you want that to
 4 be traded?

5 Why would you want that token that's spendable
 6 for -- it's like Starbucks gift cards. You don't want it
 7 to be traded. They are just worth that. And so -- and
 8 if you do a fundraising, then why would you want it to be
 9 consumable? So why don't you just do an IPO, and why
 10 don't you tokenize an asset without linking it to your
 11 fundraising? Why, you know, merge the two together?

12 MR. MOUGAYAR: Okay. I think this is a narrow
 13 classification, the one you've just named here. You have
 14 to think of the token as an innovative tool to enable
 15 something that is work-related. So if you think about
 16 it, the genesis of Bitcoin was that miners had to do some
 17 work and -- and that's how they got rewarded. Now humans
 18 are doing the work. So somebody has to do something to
 19 earn that token. And that is really the basic -- the
 20 basic way of thinking about it.

21 And it could be a right. It could be something
 22 that they create. It could be something that they earn
 23 by -- by maybe doing a -- like responding to a bounty or
 24 -- so there -- there is no classification. The sky is
 25 the limit. It's the entrepreneur's ability to dream and

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1 to innovate. It's back to basics innovation. And there
 2 is no limit, really, to what the token can do. And
 3 that's how you have to think about it.

4 MR. LIVINGSTON: Yeah.

5 AUDIENCE MEMBER: (Inaudible) or is the reward
 6 in the (inaudible) that are generating. Like are you
 7 using Ethereum, for example, or are you -- are you -- is
 8 that logic in the business, the reward, like reward
 9 points? Like -- or is that logic like on the blockchain,
 10 the consensus?

11 MR. MOUGAYAR: There are many ways to implement
 12 it. So we shouldn't go into that. But there would be
 13 many ways of implementing it via your own blockchain or
 14 in the protocol or in how you do the gaming of it. So
 15 some of it could be a gaming kind of thing. But then it
 16 gets committed to the blockchain. But it's an
 17 implementation.

18 MR. LIVINGSTON: I think like, for me, there
 19 was two things I like about cryptocurrencies versus, you
 20 know, a digital currency like Kik Points. The first is
 21 it is global and frictionless. So what that means is
 22 now, as a consumer or developer, if I'm contributing
 23 value to this ecosystem, whether that's Kin or anything
 24 else, no matter where I live and no matter how much value
 25 I can contribute, I can get compensated for that. I love

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1 that, you know.

2 So if you're some kid in India who hosts
 3 a great group chat and creates in the world one U.S.
 4 penny worth of equivalent value, we can get you that
 5 value. So I think that's -- that's the number one thing
 6 I love.

7 The number two thing I love is, once you get
 8 it, it's yours. Nobody can take that away from you. So
 9 not only did you get that penny, you got compensated for
 10 the value you contributed. But you now forever know
 11 that, in the case of Kin, if you get one Kin, they are
 12 going to be 10 trillion Kin. You will have one
 13 ten-trillionth of all Kin in existence to do with
 14 whatever you want for the rest of time. That is cool.

15 MR. MOUGAYAR: That is the future of work
 16 you've just described and that -- that's it. Thanks very
 17 much.

18 MR. LIVINGSTON: Thanks.

19 MODERATOR: Thank you both.

20 (End of Kik "Fireside Chat" segment, at 00:33:19.)

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